



Rural Utilities Service

Rural Utilities Service
1400 Independence Ave.
Washington, DC 20250
www.usda.gov/rus/





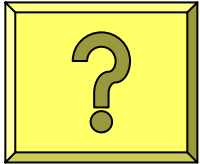
FY 2005 Budget

Broadband Loan Programs:

Program	2005
Cost of Money :	\$2,032 million
4% Loans :	\$ 46 million
Loan Guarantee :	\$ 79 million

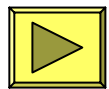


Loan Purposes

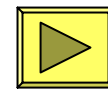


How may funds be used?

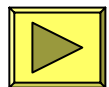
Loans may be used to build new and modernize existing telecommunications networks in rural areas:



New Construction



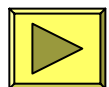
Improvements



Expansions



Acquisitions



Refinancing



Broadband...

Purpose and Eligibility



Who is eligible?

A legally organized entity providing or proposing to provide service to an eligible rural community that:

- ▶ Has no more than 20,000 inhabitants; and
- ▶ Has sufficient authority to enter into a contract with RUS and carry out the purposes of the loan.



Broadband...

Purpose and Eligibility



Who is eligible?

- Corporations
- LLCs
- Cooperatives or Mutuals
- Indian Tribes
- Public Bodies



Broadband...

Purpose and Eligibility



Who is not eligible?



Individuals;



Partnerships; and



Any entity serving more than 2% of the telephone subscriber lines installed in the United States.



Broadband...

Purpose and Eligibility

Eligible Purposes ...

- ▶ New construction and improvements to existing facilities;
- ▶ Broadband facilities leased under the terms of a capital lease (limited to 5 years and option of ownership);



Broadband...

Purpose and Eligibility

Eligible Purposes ...

- ▶ Facilities that RUS determines are necessary to serve subscribers **located in** eligible rural areas
- ▶ FCC Spectrum Licenses.



Broadband... *Purpose and Eligibility*

Eligible Purposes – Acquisitions ...

RUS will fund the acquisition of eligible facilities and equipment only if the applicant demonstrates it is necessary and incidental to furnishing or improving rural broadband service and the acquisition is less than 50 percent of the loan amount requested.





Broadband... *Service Eligibility*



What is broadband service?

- ▶ It is technology neutral;
- ▶ It must provide high-quality data transmission service and may provide voice, graphics, and video; and
- ▶ It must enable a subscriber to transmit and receive at a rate of no less than 200 kilobits per second.



Broadband...

The Application Process

Credit Support ...

To be eligible for a loan, RUS requires the applicant to provide credit support in an amount equal to 20% of the requested loan amount:





As part of the 20% requirement, the applicant must have cash (or, in the case of state or local governments, cash equivalents) in an amount equal to operating expenses for the first full year of providing service.

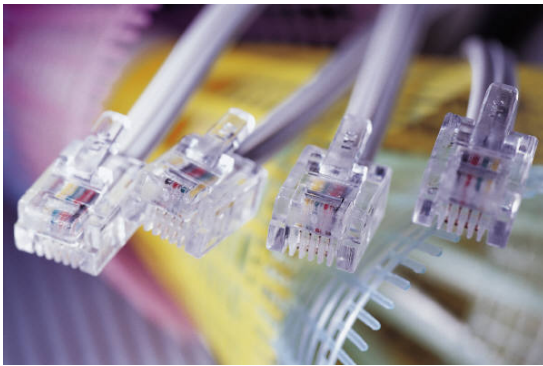


Broadband...

The Application Process

Credit Support ...

-  This cash requirement will be waived for applicants operating as telecommunications companies that have positive cash flow for the two calendar years immediately preceding the date of application.
-  The remainder of the 20% requirement can be met with undepreciated assets that could be financed as part of a loan, additional cash or cash equivalents, licenses, or an unconditional letter of credit.



Broadband...

Applications - Technologies

	Approved	Received
Unlicensed Wireless	7 (19%)	50 (39%)
Fiber to the Home	11 (31%)	32 (25 %)
Digital Subscriber Loop (DSL)	10 (28%)	23 (18 %)
Hybrid Fiber Coax (HFC)	7 (19%)	15 (12 %)
Licensed Wireless	1 (3%)	7 (7 %)
BPL		1 (1 %)



Broadband...

Applications - Entities

	Applications	Approved
Existing Borrowers	17%	24%
Borrower Subsidiary/Affiliate	11%	21%
Start-up Company	50%	38%
Public Utility District	3%	
Other	19%	17%



Broadband... *Challenges*

- Identifying areas where broadband doesn't exist
- Identifying potential providers
- Getting financially viable applications
 - Start-up Companies
 - Competition
 - Multiple community
- Outreach and education on funding opportunities



Broadband... *The Application Process*

Application Information ...

The regulations, notice of application deadline, application guide, and all of the necessary bulletins are available on our website at:

www.usda.gov/rus/telecom/broadband.htm



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www.usda.gov/rus/telecom/broadband.htm